

APR 24 1926

ANNUAL REPORT TO STOCKHOLDERS Montgomery Ward & Co., Incorporated

Chicago, Ill., *January 25, 1926.*

TO THE STOCKHOLDERS:

The net profit for 1925 as shown by the accompanying audited balance sheet of your Company was \$12,908,498, which compares with \$10,433,501 in 1924, an increase of \$2,474,997, or 23.72%.

The net sales for 1925 were \$170,592,642, compared with \$150,045,065 in 1924, an increase of \$20,547,577, or 13.69%.

On December 31, 1925, current assets were \$46,393,184 and current liabilities \$12,455,717, giving a credit ratio of 3.72 to 1, which compares with a ratio of 3.73 to 1 as of December 31, 1924.

Your Company again ends the year with no notes payable outstanding.

During the year the final dividend arrears on the Class "A" Stock, amounting to \$3,569,545, were paid.

From the net profit of \$12,908,498 has been deducted current dividends on Preferred and Class "A" Stocks; and \$17.50 per share final dividend arrears on Class "A" Stock; and a reserve of \$1,550,000 for federal income tax; and \$500,000 for Charter requirements in regard to Preferred Stock Sinking Fund and Surplus, after which deductions the remaining balance of \$5,618,102 has been carried to Undivided Profits.

The additions to Kansas City and St. Paul plants have been completed and are in operation. The new plant at Baltimore serving the Atlantic Coast states, was opened on August 1, 1925 and is already on a profitable basis. The sales demand from the territory served from Baltimore has largely exceeded our expectations and plans are now under way for increasing the capacity of the plant by one-third.

The Management of the Company acknowledges and appreciates the loyal co-operation of employees throughout the year.

MONTGOMERY WARD & Co., INCORPORATED.

THEODORE F. MERSELES, *President.*

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MONTGOMERY WARD

Balance Sheet—

(Compared with

Assets

	December 31, 1925	December 31, 1924
CURRENT AND WORKING ASSETS:		
Cash.....	\$ 5,476,213.06	\$ 8,224,854.77
Marketable Securities.....	397,186.88	280,411.88
Accounts Receivable.....	5,674,994.41	5,032,538.44
Notes Receivable.....	95,221.41	38,360.17
Inventories of Merchandise, Supplies, etc.—		
Mercantile.....	\$33,525,488.13	\$24,902,372.39
Factories.....	1,174,080.51	1,420,061.19
	<u>34,699,568.64</u>	<u>26,322,433.58</u>
Affiliated Companies—		
Notes Receivable.....	50,000.00	50,000.00
	<u>50,000.00</u>	<u>50,000.00</u>
Total Current and Working Assets	\$46,393,184.40	\$39,948,598.84
INVESTMENTS—AFFILIATED COMPANIES	2,152,864.16	2,457,148.49
SINKING FUND DEPOSIT—PREFERRED STOCK	1,223,848.73	1,015,434.05
REAL ESTATE, BUILDINGS, MACHINERY AND EQUIPMENT:		
Real Estate and Buildings—		
Mercantile.....	\$14,302,781.36	\$13,476,053.20
Factories.....	712,249.49	755,468.63
	<u>\$15,015,030.85</u>	<u>\$14,231,521.83</u>
Machinery and Equipment—		
Mercantile.....	\$ 3,550,383.51	\$ 2,722,098.04
Factories.....	402,934.67	521,839.81
	<u>3,953,318.18</u>	<u>\$ 3,243,937.85</u>
	<u>18,968,349.03</u>	<u>17,475,459.68</u>

Net Sales for year ending December 31, 1925.....	\$170,592,642
Net Sales for year ending December 31, 1924.....	150,045,065
Net Sales for year ending December 31, 1923.....	123,702,043
Net Sales for year ending December 31, 1922.....	84,738,826
Net Sales for year ending December 31, 1921.....	68,523,244

\$68,738,246.32

\$60,896,641.06

We have audited the accounts and records of Montgomery Ward & Co., Incorporated, covering the year ending December 31, 1925, and certify that the above Balance Sheet is in accordance with the records, and, in our opinion, correctly sets forth the financial position of the Company as at December 31, 1925. After providing for depreciation on buildings and equipment and for bad and doubtful accounts, a net profit of \$12,908,498.03 has resulted from the operations for the year. Inventories of merchandise and supplies have been valued at cost or market, whichever was lower.

ARTHUR YOUNG & CO.,

Chicago, Illinois, January 19, 1926.

Certified Public Accountants

RD & CO., Incorporated

December 31, 1925

December 31, 1924)

Liabilities

December 31, 1925

December 31, 1924

CURRENT LIABILITIES:

Notes Payable.....	None	None
Accounts Payable.....	\$ 6,803,230.29	\$ 5,736,856.03
Due Customers.....	3,049,404.96	2,768,750.72
Accrued Expenses, including General and Federal Taxes.....	2,603,082.40	2,212,207.50

Total Current Liabilities.....

\$12,455,717.65

\$10,717,814.25

GENERAL RESERVES.....

326,640.07

341,040.24

RESERVE FOR REAL ESTATE, BUILDINGS, ETC.....

1,735,371.38

1,735,371.38

PREFERRED STOCK 7% CUMULATIVE:

\$100 Par Value—Authorized and Issued.....

4,249,800.00

4,249,800.00

CLASS "A" STOCK, \$7 PER SHARE CUMULATIVE:

205,000 shares having no par value.....

5,594,037.28

5,594,037.28

(On liquidation or dissolution receives \$100 per share subject to rights of prior stock)

COMMON STOCK, \$10 PAR VALUE:

Authorized 1,285,000 shares

Issued and Outstanding 1,141,251 shares.....

11,412,510.00

11,412,510.00

SURPLUS CREATED BY CONVERSION OF THE NO PAR VALUE COMMON STOCK TO \$10 PER SHARE PAR VALUE (Not available for Dividends)

9,189,737.80

9,189,737.80

EARNED SURPLUS:

As at December 31 previous year.....\$17,656,330.11

\$11,166,259.05

Profit for Year.....\$12,908,498.03

\$10,433,500.81

Less: Reserved for Income Tax.....\$ 1,550,000.00

\$ 1,200,000.00

Dividend on Preferred Stock for the Year.....243,033.00

244,223.25

Dividends paid on Class "A" Stock.....4,997,363.00

2,499,206.50

\$ 6,790,396.00

\$ 3,943,429.75

Surplus Profit for Year.....6,118,102.03

\$ 6,490,071.06

As at close of year.....

23,774,432.14

17,656,330.11

Made up of—

Reserve for Sinking Fund for Preferred Stock to December 31, 1925.....\$ 1,200,000.00

\$ 1,000,000.00

Reserved as per Charter requirements for Surplus to December 31, 1925.....1,800,000.00

1,500,000.00

Remainder.....20,774,432.14

15,156,330.11

\$23,774,432.14

\$17,656,330.11

\$68,738,246.32

\$60,896,641.06

Contingent Liability in respect to guarantee of Mortgage Bonds of \$540,000 now outstanding issued by Montgomery Ward Warehouse Corporation, Portland, Oregon, and of the Mortgage Bonds of \$260,000 now outstanding issued by The Eagle Paper Company, Joliet, Illinois.

The Company owns and holds in its Treasury for retirement through the operation of Sinking Fund 7,847 shares of its Preferred Stock, leaving in the hands of the public 34,651 shares of Preferred Stock.

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MONTGOMERY WARD & CO., Incorporated

Income Account For the Year 1925

Net Sales.....	\$170,592,642.15
Merchandise Costs, Operating, Selling and General Expenses, etc., including Interest and General Taxes and Depreciation of Buildings and Equipment.....	157,684,144.12
Net Profit for Year.....	<u>\$ 12,908,498.03</u>

Earned Surplus Account As at December 31, 1925

Balance at December 31, 1924.....	\$ 17,656,330.11
Net Profit for the Year 1925, as above.....	\$12,908,498.03
Deductions:	
Reserved for Income Tax.....	\$1,550,000.00
Dividend for Current Year on—	
Preferred Stock.....	243,033.00
Class "A" Stock.....	1,427,818.00
Final Arrears on Dividends on Class "A" Stock.....	3,569,545.00
Total Deductions.....	<u>6,790,396.00</u>
Added to Surplus.....	<u>6,118,102.03</u>
Balance at December 31, 1925.....	\$ 23,774,432.14
Made up of—	
Reserve for Sinking Fund for Preferred Stock to December 31, 1925.....	\$ 1,200,000.00
Reserved as per Charter requirements for Surplus to December 31, 1925.....	1,800,000.00
Remainder	<u>20,774,432.14</u>
	<u>\$23,774,432.14</u>